

## **D. Income Eligibility Criteria**

Income eligibility for the family is determined based on gross monthly income of all individuals included in family size.

### **1. Child Care Programs Without Income Eligibility Requirements**

The following Child Care Programs do not require an income eligibility determination.

#### **a. Jobs Child Care**

Child Care Assistance for Jobs participants who are attempting to achieve independence from Cash Assistance is without regard to income.

#### **b. Child Care for Cash Assistance Participants who are Employed (AFDC Employed Child Care).**

Child Care Assistance for Cash Assistance participants who are employed is without regard to income.

#### **c. Child Care for CPS Referred Families and CPS/DDD Foster Families (Block Grant/Protective Services)**

Child Care Assistance for CPS referred families, and CPS/DDD foster families is without regard to income.

### **2. Child Care Programs With Income Eligibility Requirements**

The following Child Care Programs require an income eligibility determination in order to receive Child Care Assistance.

#### **a. Transitional Child Care (TCC)**

Former Cash Assistance participants who need Child Care Assistance for employment must meet income eligibility criteria.

#### **b. Child Care for Low Income Working Families (Block Grant/Work)**

Individuals who need Child Care Assistance for employment and who are not Cash Assistance participants must meet income eligibility criteria.

**c. Child Care for Teen Parents in Education/Training (Block Grant/Teen Parents)**

Teen parents who need Child Care Assistance for educational activities as prescribed in the *Teen Parents Participating in Education/Training Activities* must meet income eligibility criteria.

**d. Child Care for Unable/Unavailable Status (Block Grant/Unable-Unavailable)**

Individuals who need Child Care Assistance because they are unable/unavailable to provide adequate care to children in their care due to: physical/mental/emotional disability, participation in an alcohol/drug treatment or court-ordered community service program, or residency in a homeless or domestic violence shelter must meet income eligibility criteria.

**3. Income Maximum for Child Care Assistance**

The income maximum for DES Child Care Assistance is 165 % FPL effective 7/1/98\*.

- a.** Income eligibility shall be determined by calculating the gross monthly income of all family members included in family size unless otherwise excluded (refer to *Countable Income* and *Excluded Income* below for more information on which types of income are countable or excluded).
- b.** If the gross monthly income for the family is equivalent to or less than 165% FPL effective 7/1/98\*, the family meets income eligibility requirements for Child Care Assistance (refer to *Income Calculation* for direction on calculating gross monthly income, and refer to the *Child Care Assistance Gross Monthly Income Eligibility Chart and Fee Schedule* (CC-229) for direction on the income maximum amount per family size).
- c.** If the gross monthly income for the family exceeds 165% FPL effective 7/1/98\*, the family does not meet income eligibility requirements for Child Care Assistance (refer to *Child Care Assistance Income Eligibility Chart and Fee Schedule* (CC-229), Exhibit M for gross monthly income amounts per family size).

\* **Note:** Prior to 7/1/98, the income maximum for Child Care Assistance was set at 135% FPL.

**EXHIBIT M: (For Income Eligibility Determined 7/1/05 Or Later)**

**\*To view the *Child Care Assistance Gross Monthly Eligibility Chart And Fee Schedule* (CC-229) click on the link below.**

<http://www.azdes.gov/childcare/pdf/CC-229-2005.pdf>

#### 4. Countable Income

The gross monthly income of a family shall include:

- a. Gross earnings received for work including: wages, salary, armed forces pay (Base Pay only: military allotments for food and shelter costs provided to military personnel who live off base are excluded from the income calculation), commissions, tips, overtime, teaching assistance wages, piece-rate payments, and cash bonuses earned, *before any deductions* (including but not limited to taxes, bonds, pensions, union dues, and garnishments).
- b. Net income from non-farm self employment which includes gross receipts minus business expenses.
  - i. Gross receipts include the value of all goods sold and services rendered.
  - ii. Business expenses include costs of goods and services purchased or produced, rent, heat, light, power, depreciation charges, wages, and salaries paid, business taxes and other expenses incurred in operating the business. The value of salable merchandise consumed by the proprietors of retail stores is not included as part of net income. Payments on loans or mortgages obtained to increase capital investments in property or equipment are not allowed as deductible expenses.
- c. Net income from farm self employment which includes gross receipts minus operating expenses from the operation of a farm by persons as owner, renter, or tenant farmer.
  - i. Gross receipts include the value of all products sold, government crop loans, money received from the rental of farm equipment to others and incidental receipts from the sale of wood, sand, gravel, and similar items.
  - ii. Operating expenses include costs of feed, fertilizer, seed, and other farming supplies, wages paid to farm hands, depreciation charges, cash rent, interest on farm mortgages, farm building repairs, farm taxes (not state and federal income taxes), and other expenses incurred in operation of the farm. The value of fuel, food, or other farm products used for family living is not included as part of net income. Payments on loans or mortgages obtained to increase capital investments in property or equipment are not allowed as deductible expenses.
- d. Social Security payments prior to deductions for medical insurance including Social Security benefits and “survivors” benefits, and permanent disability insurance payments made by the Social Security Administration.

- e. Railroad retirement insurance income.
- f. Dividends including interest on savings/checking accounts, stocks, and bonds, membership in association, income and receipts from estates or trusts, net rental income (minus deductions for costs or repairs, utilities paid, maintenance insurance and mortgage payments prorated on a monthly basis), net royalties, receipts from boarders or lodgers (net income received from furnishing room and board shall be one third of the total amount charged). Interest on Series H. United States Government Savings bonds shall be prorated on a monthly basis.
- g. Mortgage payments received shall be prorated on a monthly basis.
- h. Public assistance payments including payments from the following programs: Cash Assistance, Supplemental Security Income (SSI), State Supplementary Payments (SSP), General Assistance (GA), Bureau of Indian Affairs General Assistance (BIAGA), and Tuberculosis Control (TC).
- i. Pensions and annuities including pensions or retirement benefits paid to a retired person or their survivors by a former employer or by a union, or distributions or withdrawals from an individual retirement account. If payments are made in periodic payments from annuities of insurance, the payments shall be prorated on a monthly basis.
- j. Unemployment Insurance payments including compensation received from government unemployment insurance agencies or private companies during periods of unemployment, and any strike benefits received from union funds.
- k. Worker's compensation payments.
- l. Money received from the Domestic Volunteer Act when the adjusted hourly payment is equal to or greater than minimum wage. Action Volunteer Programs include VISTA, Foster Grandparent Program (FGP), Retired Senior Volunteer Program (RSVP), and Senior Companion Program (SCP).
- m. Alimony or spousal maintenance which shall be counted the month received.
- n. Child support which shall be counted the month received.
- o. Guardianship subsidy payments made to permanent guardians for children residing in the home.

- p. Veterans' pensions including benefits and disability payments paid periodically by the Veterans Administration to members of the Armed Forces or to a survivor of deceased veterans. Money received shall be prorated on a monthly basis.
- q. Cash gifts received on a monthly (or recurring) basis from relatives, other individuals, and private organizations, as a direct payment in the form of money.
- r. Money received through the lottery, sweepstakes, contests, or through gambling ventures whether received on an annuity or lump sum basis.
- s. Any other source of income not specifically excluded as outlined in *Excluded Income* below.

## **5. Excluded Income**

The gross monthly income for a family shall not include:

- a. Per capita payments to or funds held in trust for any individual in satisfaction of a judgment of the Indian Claims Commission or the Court of Claims.
- b. Payments made pursuant to the Alaska Native Claims Settlement Act to the extent such payments are exempt from taxation under section 21 (a) of the Act.
- c. Money or capital gains received as a lump sum, from the sale of personal or real property, such as stocks, bonds, or a car (unless the person was engaged in the business of selling such property, in which case the net proceeds would be counted as income from self employment).
- d. Withdrawals of bank deposits.
- e. Loans; money borrowed.
- f. Tax refunds.
- g. Any monies received through the federal Earned Income Credit (EIC).
- h. One time lump sum awards or benefits, including:
  - i. Inherited funds;
  - ii. Insurance awards;
  - iii. Damages recovered in a civil suit;

- iv. Monies contributed by a client to a retirement fund that are later withdrawn prior to actual retirement;
  - v. Retroactive public assistance payments; and
  - vi. Lump sum child support payments intercepted by the Division of Child Support Enforcement (DCSE) from an absent parent's tax refund from the IRS.
- i. The value of U.S. Department of Agriculture (USDA) Food Stamps.
  - j. The value of USDA donated food.
  - k. The value of any supplemental food assistance received under the Child Nutrition Act of 1966 and special food service program for children under the National School Lunch Act, the Women, Infant, and Children Program (WIC), Child and Adult Care Food Program (C.A.C.F.P.), and the School Lunch Program.
  - l. Any payment received under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (e.g. Navajo/Hopi Relocation Act).
  - m. Earnings of a child who is under the age of 18 and attending high school or other training program, and who is not a minor parent who needs Child Care Assistance for his or her own child (the earnings of a minor parent who needs care for his or her own child *are* countable).
  - n. Home produce used for household consumption.
  - o. Government sponsored training program expenses (TRE payments) such as: training related expenses paid to Jobs participants and Workforce Investment Act (WIA) training expenses paid directly to the client.
  - p. Military allotments for food and shelter costs for military personnel who live off base, when the allotment is specifically designated as such (e.g. Basic Allowance for Quarters [BAQ]). Armed forces base pay is countable income.
  - q. The value of goods or services received in exchange for work.
  - r. Interest on Series E. United States Government Savings bonds.
  - s. Foster care maintenance payments received for care of foster children.
  - t. Adoption subsidy payments received for the care of adopted children.

- u.** Educational loans, grants, awards, and scholarships regardless of their source, including Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Bureau of Indian Affairs (BIA) Student Assistance Grants, college work study income, Carl D. Perkins Vocational and Applied Technology Education Act income, and any other state or local, public or private educational loans, grants, awards, and scholarships.
- v.** Money received from the Domestic Volunteer Act when the adjusted hourly payment is less than minimum wage; Action Volunteer Programs include VISTA, Foster Grandparent Program (FGP), Retired Senior Volunteer Program (RSVP) and Senior Companion Program (SCP).
- w.** Housing and Urban Development (HUD) benefits, cash allowances and credits against rent.
- x.** Vendor payments including payments made directly to a third party by friends, relatives, charities, or agencies to pay bills for the client.
- y.** Vocational Rehabilitation (VR) training related expenses (TRE) which are reimbursements for expenses paid. Subsistence and maintenance allowances, and incentive payments not designated as wages. Intended use shall be verified by the VR counselor.
- z.** Disaster relief funds and emergency assistance provided under the Federal Disaster Relief Act, and comparable assistance provided by a State, local government, or disaster assistance organization.
- aa.** Energy assistance including all state or federal benefits designated as “energy assistance” or assistance from a municipal utility or non-profit agency.
- bb.** Agent Orange payments.
- cc.** Reimbursements for job related expenses, which are less than or equal to the actual expense incurred. This includes reimbursements for child care expenses from an employer paid to an employee to the extent that the reimbursement does not exceed the actual child care expenses paid by the employee.
- dd.** Any other income specifically excluded by applicable state or federal law.

## **6. Income Deduction**

- a.** Child support that is paid for dependents who do ***not*** reside in the same household with the eligible family shall be deducted from the monthly gross countable income prior to income calculation and fee level and copayment assignment.





- b.** The client must verify the amount of child support paid monthly through one of the same methods used to verify receipt of child support income, as outlined later in this section in ***Child Support Income***.

## 7. Income and Employment Verification

Child Care clients must verify all countable income sources to assist the Child Care Specialist as necessary to determine eligibility for Child Care Assistance. The Child Care Specialist shall obtain one of the following forms of income verification:

### a. Systems Verification of Income

#### i. AzCCATS AP49 (AZTECS/CCA *Income Summary*) screen.

- a) The AzCCATS AP49 screen must *always* be checked for cases (that have income verification requirements) that have an *open* (coded *OP* or *RV*) CA, FS or MA case in AZTECS (refer to *When to access the AzCCATS AP49 screen* in this section for further direction).
- b) The AzCCATS AP49 screen displays AZTECS income information for clients who are designated in AzCCATS and who have an open Cash Assistance (CA) Food Stamp (FS) or Medical Assistance (MA) case. The purpose of the AzCCATS AP49 screen is to allow the CCA Specialist to retrieve pertinent AZTECS income information, display it in AzCCATS and reduce the need for additional hard copy verification. A CA, FS or MA case is considered *open* when the CP40 and/or CP41 screen shows the case status as:
  - 1) OP (open),
  - 2) RV (recertification/review application received), or
  - 3) CL (closed) for a *future* month.

**NOTE:** The income information displayed for members in CA, FS, or MA cases in received (RE) status are always considered questionable as the FAA worker may not have verified the income information yet.

- c) The AzCCATS AP49 screen shall be used to:
- 1) Substantiate verbal or written earned and unearned income and employment information that the client has reported to the Child Care Administration;
  - 2) Determine if there are other sources of income known to FAA/AZTECS that have not been reported by the client; and
  - 3) Identify any sources of income that were known to FAA/AZTECS and may have terminated, but not reported to the Child Care Administration.
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- d) The income types and codes that have been keyed into AZTECS by the Family Assistance Administration (FAA) are utilized by AzCCATS to determine what will display on the AzCCATS AP49 screen. For a list of income type codes see the **AP49 Income Code Desk Aid** in Appendix F, *Exhibit used in the Verification of Income Process via the AP49 screen*.

If an income type is not countable for Child Care Assistance, it will not display on the AzCCATS AP49 screen. Therefore, there may be income types that are displayed on the AZTECS HOSU screen that do not display on the AzCCATS AP49 screen since they are excluded from the CCA eligibility determination. Income that is displayed will be one of three types:

- 1) **Countable:** The AzCCATS AP49 screen will display a (C) after the description of the income type. This income is considered countable income when the person who receives it is included in the family size determination.
  - (a) The specialist will need to ensure the source of the income is consistent with information the client has provided on the application and during the interview, (i.e. from the same employer for earnings, or from the same income source such as child support, Social Security benefits, etc.) and also that the amount of income listed is within \$50.00 (greater or less than) of the amount as stated by the client.
  - (b) If there is a discrepancy regarding either the source or amount of income as stated above, the CCA Specialist shall use another method per CCA Policy to verify income (refer to the ***How to Treat Countable Income*** section for further information).

- 2) **Questionable:** Income entered by FAA into the AZTECS system may not be countable according to Child Care Assistance Policy. This is due to differing rules between FAA and CCA regarding treatment of income. Therefore this income is considered questionable and additional verification is required to determine how to treat the income per CCA policy requirements.

- (a) If AzCCATS is unable to determine if the AZTECS income is countable:

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- (1) An edit will appear to the right of “*wkly hours worked*” field that displays: “**Verify Questionable Income;**” and
    - (2) A question mark (?) will display to the right of “*Income Type*” field.
  - (b) To determine how much, if any, of the income displayed is countable according to Child Care Assistance policy, the Child Care Specialist shall use another method to verify income.
- 3) **Verification Pended:** If any income that otherwise would be countable for Child Care is “pending” in AZTECS, an edit will appear stating: “**Verification Pended.**” This income must be verified by the CCA Specialist prior to being included in a Child Care income calculation, since it has been reported by the client to FAA, but has *not yet* been verified.

- ii. **How to Access the AzCCATS AP49 screen.** The AzCCATS AP49 screen can be accessed through the following methods:

- a) To access the AzCCATS AP49 screen through the AzCCATS *Eligibility Determination Menu*:

- 1) PF7 from the AzCCATS *Main Menu*;
    - 2) Place your cursor to the left of *AP49 AZTECS INCOME SUMMARY* and press “enter.”

- b) The AzCCATS AP49 screen can be accessed via the AzCCATS CPO1, CP40, and CP41 screens by pressing the PF21 key.

- c) The AzCCATS AP49 screen can also be accessed via the AzCCATS AP32 screen by pressing the PF15 key.
  - d) See the **AzCCATS AP49 USER GUIDE** for a more thorough step by step description of how to access the AzCCATS AP49 screen.
- iii. **How to display income via the AzCCATS AP49 screen.** Income may be displayed on the AzCCATS AP49 through a *Household Search* or an *Individual Search*.

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- a) **“Household Search Use Primary ID”** field. In order to use this field, the client’s case must be opened through the AP32 screen or beyond. The **“Household Search Use Primary ID”** field would be used more for reviews and those cases that are already open in the AzCCATS system.
  - 1) To use this field, the case must have had family size determined on the AP32 and the primary designated with a “P” in AzCCATS and the client must have an **open** (coded OP or RV) Cash Assistance, Food Stamp and/or Medical Assistance case as indicated via the AzCCATS CP40 or CP41 screen.
  - 2) The specialist shall enter the Primary’s ID in the **“Household Search Use Primary ID”** field and press “enter.” To scroll through the rest of the household continue to press “enter.”
- b) **“Individual Search Use Client ID”** field. This field may be used at any time as long as the member of the household has been designated (P, A, or O) and the client has an **open** (coded OP or RV) Cash Assistance, Food Stamp, and/or Medical Assistance case.
  - 1) The **“Individual Search Use Client ID”** field would be used more for intakes and for clients and those members not currently open through the AzCCATS AP32 screen.
  - 2) To display information for each household member, the Child Care Specialist shall input each household member's client ID in the **“Individual Search Use Client ID”** field.
- c) If a client is applying for Child Care Assistance and they have an **open** (coded OP or RV) Cash Assistance, Food Stamp, and/or Medical Assistance case per the AzCCATS CP40 or CP41 screen,

the Child Care Specialist shall complete the following prior to accessing the AzCCATS AP49 screen for verification purposes:

- 1) Designate everyone in the household as either the primary (P), other parent/responsible person (O), or additional (A);
- 2) Press PF21 from the AzCCATS CP40/41 screen to access the AzCCATS AP49 screen;
- 3) Enter the applicant's client ID number in the "***Individual Search Use Client ID***" field and press the "enter" key;
- 4) Repeat for all other household members;
- 5) Screen print 195d AzCCATS AP49 screen if any income is displayed for each household member; and
- 6) If no income is displayed on the AzCCATS AP49 screen, document this on the Case Action Summary (CC-047) for each household member.

**NOTE:** The "***Individual Search Use Client ID***" field must be used when family size has not been determined.

**iv. When to access the AzCCATS AP49 screen.**

- a) The AzCCATS AP49 screen *always* must be checked for all clients who have an *open* (coded OP or RV) Cash Assistance, Food Stamp and/or Medical Assistance case in AZTECS as displayed on the AzCCATS CP40 and/or CP41 screens whenever an initial or review application is received or an income change is reported.
- b) It is necessary to check the AzCCATS AP49 screen even if there is no *open* (coded OP or RV) Cash Assistance, Food Stamp and/or Medical Assistance case in AZTECS as displayed on the AzCCATS CP40 or CP41 screens. This may be due to a child, spouse or other household member (who is not the primary) receiving Cash Assistance, Food Stamps and/or Medical Assistance in a different AZTECS case than the primary person.
- c) The income received by the additional or other household members who receive Cash Assistance, Food Stamps and/or Medical Assistance as members of an AZTECS case which does not include the primary client will only display on the AzCCATS AP49 screen by:
  - 1) Using a *household search* if they are designated as an additional (A) or other parent/responsible person (O) on the

AzCCATS CP40 or CP41 screens and family size has been determined on the AzCCATS AP32 screen.

- 2) Using an *individual search* if they are designated as an additional (A) or other parent/responsible person (O) on the AzCCATS CP40 or CP41 screens and may not be open through the AzCCATS AP32 screen.

**NOTE:** All household members must be designated in AzCCATS prior to checking the AzCCATS AP49 screen.

**EXAMPLE:** 195e

A child may be receiving Food Stamps as part of his aunt's AZTECS Food Stamp case but his grandmother may be applying for Child Care Assistance for him and the grandmother has no AZTECS cases. In this situation, when checking for Cash Assistance, Food Stamps, and/or Medical Assistance on the AzCCATS CP40 or CP41 screen, with the grandmother as the primary, the AzCCATS CP40 or CP41 screen would not show any open AZTECS cases. Accessing the AzCCATS AP49 screen and completing a search for either the grandmother or child would display any income the child is receiving. In this example, it may show that the child is receiving income such as Social Security or child support that is being counted in his aunt's Food Stamp case and must be considered when determining income for Child Care Assistance.

**v. How to treat countable AzCCATS AP49 income.**

- a) Whenever there is an *open* (coded OP or RV) AZTECS Cash Assistance, Food Stamps and/or Medical Assistance case, and income displays on the AzCCATS AP49 screen, the Child Care Specialist shall screen print the amount displayed on the AzCCATS AP49 screen and place it in the case file. If no income is displayed on the AzCCATS AP49 screen, the Child Care Specialist shall document the Case Action Summary (CC-047) indicating that no income is displayed on the AzCCATS AP49 screen.

**NOTE:** Income information will not display on the AP49 if the AZTECS case is **not** open.

- b) If the individual income source displayed on the AzCCATS AP49 screen is less than the client has stated on their initial or review application or reported change (but within \$50.00 of the amount the client has reported), the lower amount as verified by the AzCCATS



AP49 screen will be used (even if the lower amount decreases the client's fee level). The determination will be made to the client's advantage, rather than requesting additional hard copy verification from the client.

- c) If the individual income source displayed on the AzCCATS AP49 screen is more than the amount stated by the client on their application, or reported change (but within \$50 of the amount the client has reported) and the fee level would be the same regardless of the verification method used, the Specialist shall use the AP49 screen as verification of the income source.
- d) If the individual income displayed on the AzCCATS AP49 screen is more than the amount stated by the client on their initial or review application or reported change (but within \$50.00 of the amount the client has reported) and the amount stated by the client would decrease the fee level, the Child Care Specialist must dialogue with the client and afford the client the opportunity to provide alternate verification (this is not optional).
  - 1) The Child Care Specialist shall request that the client provide the updated or alternative verification of income by sending the Initial Information Request (CC-100) for an initial application, the Information Request/Notice of Closure (CC-302) for a review application, or the General Information Request/Notice of Closure (CC-500) for a reported change.
  - 2) If the client fails to provide proof of the lesser amount of income, then the higher amount displayed on the AzCCATS AP49 screen will be used to determine the fee level (rather than close or deny the case).
  - 3) The fee level may be decreased if the client provides the income information at a later time.
- e) When the AzCCATS AP49 screen displays income but the client indicates during review application or reported change that they are no longer working for the employer, or no longer receive any other type of income (as displayed on the AzCCATS AP49 screen), the Child Care Specialist shall:
  - 1) Determine if there is an eligible activity/need for Child Care Assistance (refer to ***Eligible Activities/Need for Services*** for a list of eligible activities/needs for service);
  - 2) Notify the family via the Information Request/Notice of Closure (CC-302) for a review application that they have until the end of the review month or 10 days from the date of the notice

(whichever is later) to provide verification of the terminated income and that they have an eligible activity/need or assistance will be stopped and the case will be closed; or

- 3) Notify the family via the General Information Request/Notice of Closure (CC-500) for a reported change that they have ten days to provide verification of the terminated income and that they have an eligible activity/need or assistance will be stopped and the case will be closed;

- (a) If the client previously employed, the Specialist shall verify the employment termination date with the employer through collateral contact or written verification.
- (b) If the employer will not provide verification as requested, the Specialist shall accept the client's written statement of termination date as verification and shall document the case file (the client's statement is acceptable only when all other verification attempts have failed).

#### **b. Systems Verification of Employment**

The AzCCATS AP49 screen also identifies the names of current and possibly former employers, and displays average weekly hours worked.

- i. The AzCCATS AP49 may be used as verification of employment for Cash Assistance Employed Child Care families, as well as verification of the hours of employment for all families if:
  - a) The name of the current employer listed on the AzCCATS AP49 screen is the same employer as reported by the client; and
  - b) The number of weekly hours worked as displayed on the AzCCATS AP49 screen is not more than 3 hours greater or less than the number of weekly hours worked as stated by the client.
  - c) The number of weekly hours as displayed on the AzCCATS AP49 screen **shall not** be used to determine hours for Supplemental Education/Training (refer to *Education/Training Activities with Minimum Work Requirement* in the *Eligible Activities/Need for Assistance* section for further direction).
- ii. If there is a discrepancy between the number of weekly hours worked as stated by the client and the number of **weekly** hours as displayed on the

AzCCATS AP49 screen that is more than three hours greater or less than the amount displayed on the AP49 screen, the Child Care Specialist shall:

- a) not use the AzCCATS AP49 screen as verification;
- b) request one of the other forms of verification described in this section from the client; and
- c) document the Case Action Summary (CC-047) regarding the reason the AP49 screen could not be used as verification; and

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- d) **not** use the number of weekly hours as displayed on the AzCCATS AP49 screen to determine hours for Supplemental Education/Training (refer to ***Education/Training Activities with Minimum Work Requirement*** in the ***Eligible Activities/Need for Assistance*** section for further direction).
- iii. When the AzCCATS AP49 screen displays employment income but the client indicates during an initial application that this is terminated income and they are no longer working for the employer displayed on the AzCCATS AP49 screen the Child Care Specialist shall:
- a) Determine if there is an eligible activity/need need for Child Care Assistance (refer to ***Eligible Activities/Need for Services*** for a list of eligible activities/needs for service);
  - b) Request that the client provide proof of terminated employment by ending the Initial Information Request (CC-100) for an initial application;
    - 1) If the client was previously employed, the Specialist shall verify the employment termination date with the employer through collateral contact or written verification.
    - 2) If the employer will not provide verification as requested, the Specialist shall accept the client's written statement of termination date as verification and shall document the case file (the client's written statement is acceptable only when all other verification attempts have failed).
  - c) AzCCATS will automatically deny the pending application within 30 days of the date of application if the client has not provided the requested information and/or verification necessary for a determination of eligibility.

- iv. When the AzCCATS AP49 screen displays employment income but the client indicates during a **review application** that they are no longer working for the employer or no longer receive any other type of income as displayed on the AzCCATS AP49 screen the Child Care Specialist shall:
- a) Determine if there is an eligible activity/need need for Child Care Assistance (refer to *Eligible Activities/Need for Services* for a list of eligible activities/needs for service);
  - b) Notify the family via the Information Request/Notice of Closure (CC-302) for a review 195i tion that they have until the end of the review month or 10 n the date of the notice (whichever is later) to provide verification of the terminated income and that they have an eligible activity/need or assistance will be stopped and the case will be closed;
    - 1) If the client was previously employed the Specialist shall verify the employment termination date with the employer through collateral contact or written verification.
    - 2) If the employer will not provide verification as requested, the Specialist shall accept the client's written statement of termination date as verification and shall document the case file (the client's written statement is acceptable only when all other verification attempts have failed).
    - 3) The CCA Specialist shall determine if the client is eligible for a gap of employment (refer to *Gaps in Employment* in the *Changes* section for further direction).
  - c) If the client does not provide the requested information as part of the review process:
    - 1) Close the case the case if the client fails to provide the requested verification by the 10 day deadline by entering an **end date** and **end reason** in the AzCCATS CP21 screen;
    - 2) The case must be closed on the AP30 screen (Application/Responsible Person Screen) by typing an "x" after the "Update?" field and pressing enter, then entering a "z" in the status field.

- d) Determine if an overpayment has occurred and, if so, obtain the necessary verification to process the overpayment (refer to Section XVI *Overpayments* for further information).
- v. When the AzCCATS AP49 screen displays employment income but the client indicates during **reported change** that they are no longer working for the employer or no longer receive any other type of income as displayed on the AzCCATS AP49 screen the Child Care Specialist shall:
- a) Determine if there is an eligible activity/need need for Child Care Assistance (refer to *Eligible Activities/Need for Services* for a list of eligible activities/needs for service);
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- b) Notify the family via the General Information Request/Notice of Closure (CC-500) for a **reported change** that they have ten days to provide verification of the terminated income and that they have an eligible activity/need or assistance will be stopped and the case will be closed;
  - c) Stop services on the AzCCATS CP08 screen by entering the 10 day due date in the **end date** field as specified in the General Information Request/Notice of Closure (CC-500);
    - 1) If the client was previously employed the Specialist shall verify the employment termination date with the employer through collateral contact or written verification.
    - 2) If the employer will not provide verification as requested, the Specialist shall accept the client's written statement of termination date as verification and shall document the case file (the client's written statement is acceptable only when all other verification attempts have failed).
    - 3) The CCA Specialist shall determine if the client is eligible for a gap of employment (refer to *Gaps in Employment* in the *Changes* section for further direction).
  - d) If the client does not provide the requested information as a result of a reported change:
    - 1) Close the case the case if the client fails to provide the requested verification by the 10 day deadline by entering an **end date** and **end reason** in the AzCCATS CP21 screen;
    - 2) The case must be closed on the AP30 screen (Application/Responsible Person Screen) by typing an "x" after

the “Update?” field and pressing enter, then entering a “z” in the status field.

- e) Determine if an overpayment has occurred and, if so, obtain the necessary verification to process the overpayment (refer to Section XVI, *Overpayments* for further information).

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**EXHIBIT G:**  
**INCOME VERIFICATION THROUGH THE AZCCATS AP49 AZTECS/CCA**  
**COUNTABLE INCOME SUMMARY SCREEN**

When Primary ID is input  
Here, AZTECS income will  
Display for everyone included  
in the CCA determined family size

When Client ID is input  
here, AZTECS income will  
display for the desired  
Client ID only

Current benefit month  
in AZTECS (display)

TERM: XU08 ARIZONA CHILD CARE AUTOMATED TRACKING SYSTEM DATE: 07/26/01  
V6L AP49 AZTECS/CCA COUNTABLE INCOME SUMMARY TIME: 15:31:50  
DENNIS H

PRESS ENTER FOR ANOTHER MEMBER'S INCOME RECORD(S)

FOR HOUSEHOLD SEARCH USE PRIMARY ID 0003812766
NAME SMITH VANESSA
FOR INDIVIDUAL SEARCH USE CLIENT ID 0003812766
NAME SMITH VANESSA
BENEFIT MONTH: 0801

INCOME TYPE: EI/WA - WAGES/TIPS	FREQUENCY OF PAY: BW
EMPLOYER NAME: BUILDING BLOCKS CHILD CARE	
GROSS MO INC \$ 1118.00	HRS WORKED WKLY: 40.0

---

INCOME TYPE: -	FREQUENCY OF PAY:
EMPLOYER NAME:	
GROSS MO INC \$	HRS WORKED WKLY:

---

INCOME TYPE: -	FREQUENCY OF PAY:
EMPLOYER NAME:	
GROSS MO INC \$	HRS WORKED WKLY:

Enter-PF13--PF14--PF15--PF16--PF17--PF18--PF19--PF20--PF21--PF22--PF23--PF24--  
AP32 AP34 CP40 CP21 PFKEY CP01

Employer name  
(display when  
applicable)

Gross monthly  
income (display)

Number of weekly hours  
worked to the tenth of an hour  
(display when applicable)

How often income  
source is received  
(display)

Indicates the category of income  
(EI for earned income,

Describes the type of income  
(e.g. SSI, unemployment insurance,

UI for unearned income,  
ES for self-employment income; display)

see AP49 Code table for a complete  
listing of income type descriptions;  
display)

### c. Hard Copy Verification

Acceptable hard copy income verification is written verification that documents the actual gross amount of income received, names of the payee, specifies the period of time the income is for, and indicates the pay date.

The Specialist shall accept the following forms of income verification:

- i. Copies of pay stubs that reflect the most recent calendar month's gross pay:
  - a) If the client cannot produce on full month's worth of pay stubs, the Specialist shall start services based on one current pay stub and follow up later and request verification of gross pay for the next full calendar month.
  - b) Irregular or fluctuating income may be averaged for the most recent three month work period when a fluctuating income is anticipated.
- ii. A signed statement from the client's employer stating, at minimum, gross wages per hour, number of hours and days worked per week, frequency of wage payment, date of first paycheck (if newly employed), and the name, address, and phone number of the employer (refer to ***Verification Requirements*** for further direction).

**NOTE:** When the client has provided an employer's statement as verification, the Child Care Specialist shall not request additional verification of employment/earnings ***unless*** the Child Care Specialist has reason to believe that the client's income or hours will change.
- iii. A benefits award statement from the most recent benefit period to verify the receipt of Social Security, Veterans Benefits, or any other cash benefits.
- iv. Current statement of account to verify interest or dividends paid.
- v. Any other written documentation from the source of the income that verifies the gross amount of income received, the date received, and the frequency received.



#### d. Collateral Contact

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Collateral contact shall be used as verification when the client and Specialist are unable to obtain written verification or to expedite the eligibility determination process. When a collateral contact is used as verification, the following information must be documented in the case file.

- i. Date of first contact; and
- ii. First and last name, and job title of the person providing the information;
- iii. Telephone number of the contact;
- iv. The specific information obtained, including start date of employment/education or training activity, scheduled days and hours of participation, location, rate and frequency of pay for employment, or any other information necessary to determine eligibility.

**Note:** When collateral contact is the method of verification used by the Specialist, it is not necessary to follow up and obtain hard copy verification *unless* a discrepancy arises which needs further exploration/resolution by the Specialist.

#### e. Client's Statement

- i. A signed statement, written by the client, may be accepted as temporary verification of wages when **BOTH** the applicant and the Specialist have been unsuccessful in obtaining wage verification. The Specialist shall accept the client's written statement as the "best available information" and:
  - a) Thoroughly document other verification attempts made by the applicant and Specialist;
  - b) Place the signed client statement in the case file. The statement shall provide place of employment, phone number, name of supervisor, gross pay per hour/week/month and work schedule; hours per day, days per week of employment, frequency of pay, day of the week paid, and date of statement;
  - c) Authorize services if the client is otherwise eligible; and
  - d) Send a 10-day negative action notice to request current, written employer wage verification. If verification is not received within 10 days, close the case (refer to *Section ii*, below).

- ii. In extraordinary situations where the applicant does not receive pay stubs and is unable to provide written employer verification (e.g. odd jobs, unwilling employer), the 10-day negative action for written verification ***shall not*** be taken and the Specialist's documentation of collateral or the client's written statement shall be accepted as the "best available information".

**f. Self-employment Income.**

Self-employment income shall be verified by one of the following sources as displayed in Table 6.

**TABLE 6:**  
**VERIFICATION OF SELF-EMPLOYMENT INCOME TABLE**

**Verification of Self Employment Income:**

**Primary Sources**

- \* Self-employment income as displayed on the AzCCATS AP49 AZTECS/CCA COUNTABLE INCOME SUMMARY screen for clients with an open Cash Assistance, Food Stamp or Medical Assistance case. If the type self-employment income as displayed on the AzCCATS AP49 AZTECS/CCA COUNTABLE INCOME SUMMARY screen has a (c) after the description of the income type it may used for verification unless it also states "Verification Pended." If the verified amount is more than \$50 greater than or less than the client's stated amount, one of the following must be provided.

- \* Self Employment Budget Record (CC-228) and Self Employment Log (CC-227).

When the Self Employment Budget Record (CC-228) and Self Employment Log (CC-227) are submitted as verification, they must be accompanied by:

- \* Actual receipts for gross sales;
- \* Actual receipts for business expenses, which may include:
  - \* Invoices or bills showing cost of deductible items such as salable goods, or supplies and materials used in their production;
  - \* Rent receipts or tax statements for the business property only;
  - \* Mortgage receipts for business location (Only the interest paid on the mortgage is an allowable business expense);
  - \* Bills showing utility costs, cleaning costs, and maintenance of the business location and necessary equipment;
  - \* Bank statements containing supporting evidence of receipts and expenses;
  - \* Personnel records indicating personnel salaries or costs of outside labor.
- \* Recent (business) annual income tax returns (for most recent year).
- \* Accountant's financial statement.

**Secondary Sources:**

- \* None

**Note:** If the field to the right of "weekly hours worked" on the AzCCATS AP49 AZTECS/CCA COUNTABLE INCOME SUMMARY screen displays "**Verify Questionable Income**," it has been determined that this type of income is treated differently (e.g. allowing certain deductions etc.) by the Child Care Administration than the Family Assistance Administration and the AzCCATS AP49 screen **cannot** be used as verification of self-employment income and the other methods of verification listed above must be used.

**g. Child Support Income**

Child Support Income may be verified through one of the following methods listed below:

- i. A screen print of the AzCCATS AP49 (*AZTECS/CCA Countable Income Summary*) screen when the verified amount is not more than \$50 greater than or less than the client's stated amount.
  - a) The amount of Child support income as displayed on the AzCCATS AP49 is obtained by FAA through:
    - 1) An inquiry screen, the *AZTECS Child Support Payment History* (CHSP) screen, available to FAA through an interface with the Division of Child Support Enforcement (DCSE). The FAA Eligibility Interviewer manually enters the amount of child support as displayed on the AZTECS CHSP screen into the AZTECS Unearned Income (UNIN) screen.
    - 2) Other child support income verification received by FAA from the client. The amount of child support received by the client is entered into the AZTECS UNIN screen manually by the FAA EI.
    - 3) When a change in the amount of child support being received by the client occurs, an alert is generated to the FAA EI from DCSE so that AZTECS can be updated with the current support amount.
  - b) If the child support amount displayed on the AzCCATS AP49 screen is less income than the client has reported on their initial or review application or reported change (but not more than \$50.00 less than the amount the client has reported), the lower amount as verified by the AzCCATS AP49 screen will be used (even if the lower amount decreases the client's fee level). The determination will be made to the client's advantage, rather than requiring the client to submit additional hardcopy verification.
  - c) If the child support amount displayed on the AzCCATS AP49 screen is more than what the client is stating on the initial application, review application or reported change, and is within \$50.00, but the amount stated by the client would decrease the fee level, the Child Care Specialist must dialogue with the client and afford the client the opportunity to provide alternate verification (this is not optional).

- 1) The Child Care Specialist shall request that the client provide the updated or alternative verification of income by sending the Initial Information Request (CC-100) for an initial application, or the Information Request/Notice of Closure (CC-302) for a review application or the General Information Request/Notice of Closure (CC-500) for a reported change.
  - 2) If the client fails to provide proof of the lesser amount of income, then the higher amount, as displayed on the AzCCATS AP49 screen, will be used to determine the fee level (rather than close or deny the case).
- d) The fee level may be decreased if the client provides the child support verification at a later time.
- e) If the AzCCATS AP49 screen displays child support income, but the client states that they do not receive any child support, the Child Care Specialist shall:
- 1) Request that the client provide the updated or alternative verification of child support income by sending the Initial Information Request (CC-100) for an initial application, the Information Request/Notice of Closure (CC-302) for a review application, or General Information Request/Notice of Closure (CC-500) for a reported change.
  - 2) If the client fails to provide proof that child support payments have been terminated, then the higher amount displayed on the AzCCATS AP49 screen will be used to determine the fee level (rather than close or deny the case).
- ii. A copy of the divorce decree or court order for child support.
- a) If child support stated as received by the client is equal to the amount ordered by the court, the client may use the court order or divorce decree as verification.
  - b) If the document is less than five years old, no other verification is required.
- iii. Child support received through the court may be verified by a print out from the court, or the specialist may document collateral phone contact with the Domestic Relations Court and the amount of child support received for the most recent three month period.

**Note:** The court print out shall NOT be required when the cost to the client is prohibitive. The Specialist shall contact the court to verify child support payment history and document the case file accordingly.

- iv. Child support received directly (not through the court system) shall be documented by the client's written statement. The written statement shall include the court order number, and the amount and frequency of the payment for the most recent three month period. The written statement shall be used as verification.
- v. Child support received with no court involvement (the client does not have a court order number, has never married, is not divorced, or is legally separated) shall be verified by the client's written statement of monthly child support amounts received for the most recent three month period. The written statement shall be acceptable verification.
- vi. Fluctuating child support income may be averaged over the most recent three month period if inconsistent amounts have been received in the past and are anticipated to continue.

**h. Unearned Income**

Unemployment Insurance (UI), Social Security, Cash Assistance, or any other type of cash benefit shall be verified via systems, if available, or with copies of the benefits award letters. If systems verification is used, screen prints of the AzCCATS AP49 screen shall be placed in the case file.

- i. Receipt of Unemployment Insurance may be verified via the AzCCATS AP49 screen for *open* (coded OP or RV) Cash Assistance, Food Stamp, and Medical Assistance cases.
  - a) The AzCCATS AP49 screen will display the amount of Unemployment Insurance that was received for the current month. Unemployment Insurance is paid on a weekly basis.
  - b) If the monthly amount of Unemployment Insurance as displayed on the AP49 screen differs by more than \$50 from what the client states they receive, an alternate method of obtaining systems verification shall be used via the GUIDE system.
  - c) A screen print of the Benefit History screen from the GUIDE system shall be used as verification if access to GUIDE is available to the Child Care Specialist (the screen print shall be placed in the case file as verification).

- ii. Receipt of Cash Assistance may be verified via the AzCCATS AP49 screen for *open* (coded OP or RV) Cash Assistance cases. The AzCCATS AP49 screen will display the amount of Cash Assistance that was received for the current month. Receipt of Cash Assistance for *closed* Cash Assistance cases may be verified via the AFBH screen in AZTECS.
- iii. Social Security income may be verified via the AzCCATS AP49 screen for *open* (coded OP or RV) Cash Assistance, Food Stamp, and Medical Assistance cases. The AzCCATS AP49 screen will display the amount of Social Security income that was received for the current month. If the amount displayed on the AP49 screen differs by more than \$50 (greater or less than) from what the client stated on the initial application, review application or reported change, the Child Care Specialist shall use alternate methods to verify Social Security income.
- iv. The amount of Social Security income as displayed on AzCCATS AP49 is obtained by FAA and entered into AZTECS through one of two methods:
  - a) An interface with the Social Security Administration via the AZTECS *Interface Inquiry* (ININ) screen. The FAA Eligibility Interviewer manually enters the income information from the AZTECS ININ screen into the AZTECS *Unearned Income* (UNIN) screen.
  - b) Other hard copy verification such as a benefits award letter issued annually to SSA recipients.
- v. Whenever a change in Social Security income occurs (increasing, decreasing, starting or stopping Social Security income):
  - a) An alert is generated to the FAA Eligibility Interviewer from the Social Security Administration if the client has an open Cash Assistance, Food Stamps or Medical Assistance case and the client has a participation code other than “ou” (out).
  - b) All Social Security income information is manually keyed by FAA Eligibility Interviewers (with the exception of yearly Cost of Living Adjustments, which are completed in a mass change) into the AZTECS UNIN screen. Therefore, SSA income in AZTECS is generally updated by the Eligibility Interviewer unless a change in SSA benefits has recently occurred.
- vii. If the SSA income amount stated by the client is more than \$50.00 (greater than or less than) the amount displayed on the AzCCATS AP49 screen, and the client has an *open* (coded OP or RV) Cash Assistance, Food Stamps or Medical Assistance case, the Specialist shall access the AZTECS *Interface Inquiry* (ININ) screen.

- a) The Child Care Specialist shall access the *AZTECS Interface Inquiry* (ININ) screen by entering “09” in the ***Enter Function*** field on the *AZTECS Inquiry Menu* (INME) screen;
- b) On the AZTECS ININ screen, the Specialist shall identify the income type (SSA or SSI) by keying **1** or **2** and the Social Security Number of the client whose income is to be verified (see Exhibit NN for sample AZTECS ININ screen); and
- c) The AZTECS *BDX Information* and *SDX Information* screens will display the client’s monthly benefit amount.

## **EXHIBIT NN**

### **VERIFICATION OF SOCIAL SECURITY INCOME VIA AZTECS:**

ININ
INTERFACE INQUIRY
121399 01:53 PM  
CHILD CARE SPECIALIST

1. BDX INFORMATION - SSA
2. SDX INFORMATION - SSI
3. WTPY INFORMATION
4. WTPY MANUAL REQUESTS
5. QUARTERS OF COVERAGE INFORMATION

ENTER SELECTION (BY NUMBER): \_  
SSN: (1,2,3,4 ONLY):  
HLCT NAME.....(1,2,3,4 ONLY):

*The Specialist shall type “1” or “2” to indicate income type (SSA or SSI).*

*The Specialist shall type the client’s Social Security Number here.*

### **AZTECS BDXI Screen:**

BDXI
BDX (SSA) INFORMATION (RECORD 1 OF 1)
12/13/99 02:11 PM  
CHILD CARE SPECIALIST

SSN.: 999-99-9999 SSA CAN: 601698427E  
NAME: ROAD, ROCKY DOB: 021478 SEX: F RESP. DATE: 022399  
TYPE OF BENEFICIARY: MOTHER (WIDOW) (1ST CLAIMANT)

COMMUNICATION CODE: MATCHED - CURRENT INFO FROM SSA FILE  
CURR PAYMNT STATUS: BENEFIT IS BEING PAID  
CURR ENTITLEMENT EFFECTIVE DATE: 199812  
GROSS AMT: 359.40 SMI-PART B MEDICARE HOSPITAL INS PART A MEDICARE  
- OVERPAYMT:

NET PAYABLE: 359.00  
PT B PREM:

OPT: ENTITLEMENT DATE:  
TERMINATION DATE:  
PREMIUM PAYER :

OPT: ENTITLEMENT DATE:  
TERMINATION DATE:  
PREMIUM AMOUNT :

CHECK AMT.: 359.00

SSi STATUS.....:  
DUAL ENTITLEMENT INDICATOR:  
DIRECT DEPOSIT INDICATOR : SAVINGS  
OVERPAYMENT END DATE.....:

CROSS REFERENCE CAN:  
DISABILITY DATE OF ONSET:  
SELECTION START DATE:

*The client’s monthly benefit amount will display here.*



- iii. Other types of unearned income shall be verified with a statement from the agency or the individual providing the income. The client's written statement may be used as verification when other methods of verification have been unsuccessful.

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## 8. Income Calculation

The Specialist shall calculate gross monthly income as outlined below.

- a. The Specialist shall include all income of all family members included in the family size determination, other than excluded income (refer to ***Excluded Income*** for definitions of excluded income sources).
- b. The Specialist shall calculate a monthly figure for each source of income separately with the appropriate method used for calculation.
- c. After calculating monthly income for each source of income, the Specialist shall add the monthly amounts from each source to obtain the total monthly income.
- d. The Specialist shall convert income received less often than monthly to a monthly figure as indicated below.
  - i. The Specialist shall prorate the total income over the number of months that the income is intended to cover.
  - ii. If the income is received on or after the date of application, a monthly share of income shall be considered beginning with its earliest possible effective date and for a number of months equal to the number of months which the income covers.
  - iii. If the family receives the income prior to the date of application, the number of months that the income is intended to cover shall be equal to the number of months of coverage remaining.
- e. The Specialist shall convert income received more often than monthly, for a period covering less than a month, to a monthly amount by one of the methods listed below.
  - i. If the income amount does not vary and is received monthly, weekly, bi-weekly, or semi-monthly, the conversion to a monthly amount will be obtained by multiplying the pay period amount by:
    - a) 1, if monthly;
    - b) 4.3, if weekly;
    - c) 2.15, if bi-weekly; or
    - d) 2, if semi-monthly.

- ii. This amount shall be applied as income on an ongoing monthly basis until there is a change in the income.
  - iii. If the monthly income received varies in amount and frequency, and exact monthly figures are unavailable, the Specialist shall use an average monthly figure.
- f. When a family receives a new income source that will be received monthly, weekly, bi-weekly or semi-monthly
  - i. When the client reports the new income source in advance:
    - a) A new fee level or ineligibility shall not be assessed to the client until the monies are available to the client;
    - b) The income shall not be considered available to the family until **10 days after** the date that the first payment is received;
    - c) When the change results in a copayment/fee level increase or termination of Child Care Assistance, the Specialist shall follow negative action requirements. Negative action requirements (and requirements described in “b)” above) are considered met when both conditions listed below occur:
      - 1) The Specialist mails the negative action notice to the client at least 10 days before the effective date of the copayment/fee level increase or termination of Child Care Assistance; and
      - 2) The client has received the first payment containing the new income source at least 10 days prior to the effective date of the copayment/fee level increase or termination of Child Care Assistance.

**Example #1:**

Today is 11/3. The client submitted a wage statement today to verify new employment. The wage statement indicates that the client is scheduled to begin working on 11/7 and that their first paycheck will be received on 11/20. The new income source results in an increased copayment/fee level and the Specialist generated the Notice of Change (CC-503) today (11/3).

The copayment/fee level will be increased effective 12/1. (Negative action requirements and income calculation requirements are met because: 1) The notice was mailed to the client at least 10 days before the effective date of the change; and 2) The client will receive their first paycheck at least 10 days before the effective date of the change).

Using the scenario in example #1, if the new income source resulted in income ineligibility, the earliest possible termination/closure date would be 11/30 (provided that the negative action notice was sent no later than 11/19).

**Example #2:**

Today is 11/3. The client submitted a wage statement today to verify new employment. The wage statement indicates that the client is scheduled to begin working on 11/15 and will receive their first paycheck on 11/25. The new income source results in an increased copayment/fee level and the Specialist generated the Notice of Change (CC-503) today.

The copayment/fee level cannot be increased until 1/1. (Although the notice was generated today, the first payment will not be received until 11/25. Therefore, the copayment/fee level increase cannot be made effective sooner than 12/5- however, copayment/fee level increases shall only be made on the first of the following month after negative action procedures have been followed. Therefore, 1/1 is the earliest possible date the change can be made effective.)

Using the scenario in example #2, if the new income source resulted in income ineligibility, the earliest possible termination/closure date would be 12/5 (provided that the negative action notice was sent no later than 11/24).

- ii. When a client has already received payment which includes the new income source, and a higher fee level or ineligibility results, the Specialist shall provide 10 day negative action notice prior to increasing the fee level or terminating assistance (refer to ***Changes*** for time frames and notification requirements).
- g. When the Specialist calculates the gross monthly income for the family, the whole dollar amount only shall be used to determine income eligibility, and fee level and copayment assignment; any amount that is a fraction of a whole dollar shall be rounded down to the next whole dollar.

### INCOME CALCULATION EXAMPLE #1:

Client receives \$500.75 every 2 weeks from employment and \$400 per month in child support.

- 1)  $\$500.75 \times 2.15$  (bi-weekly) = \$1,076.61
- 2)  $\$400 \times 1.00$  (monthly) = \$400.00
- 3) Total monthly income = \$1,476.61
- 4) The total monthly income is rounded down to the next whole dollar to bring the **total monthly income** to **\$1,476.00**

### INCOME CALCULATION EXAMPLE #2:

Client receives \$200 every week from employment and \$250 per month in Social Security benefits.

- 1)  $\$200 \times 4.3$  (weekly) = \$860.00
- 2)  $\$250.00 \times 1.00$  (monthly) = \$250.00
- 3) **Total monthly income = \$1,110.00**

### INCOME CALCULATION EXAMPLE #3:

Client works varying days and hours and has submitted 2 months worth of pay stubs as follows (and is the client's sole income source):

Jan. 1 - \$336.23  
Jan. 15 - \$248.64  
Feb. 1 - \$433.50  
Feb. 15 - \$278.00  
**Total = \$1,296.37**

- 1)  $\$1,296.37 \div 4 = \$324.09$
- 2)  $\$324.09 \times 2$  (semi-monthly) = \$648.18
- 3) Total monthly income = \$648.18
- 4) The total monthly income is rounded down to the next whole dollar to bring the **total monthly income** to **\$648.00**

### INCOME CALCULATION EXAMPLE #4:

The client has obtained a new job and submits a signed Employment and Wage Verification Statement (CC-024). The client is scheduled to work 35 hours per week at \$6.00/hour and is paid semi-monthly.

- 1) 35 hours X 4.3 weeks = 150.5 hours/month
- 2)  $150.5 \text{ hours} \div 2$  (# of pay periods per month) = 75.25 hours/pay period
- 3)  $75.25 \text{ hours} \times \$6.00 = \$451.50$ /semi-monthly pay period
- 4)  $\$451.50 \times 2 = \mathbf{\$903.00 \text{ total gross monthly income}}$

**Explanation:** In order to determine the anticipated hours per pay period (and the corresponding gross pay amount per semi-monthly pay period) you must determine the actual hours the client will work per month, and then divide by 2. This will allow you to accurately anticipate the annualized semi-monthly gross pay, and also the monthly gross pay amount.

## **9. Income Deeming Process for Unwed Minor Parents who Live with Their Own Parents**

When unwed minor parents reside with their own parents, a portion of the gross monthly income of parents of unwed minor parents shall be deemed as available and considered countable income for the unwed minor parent for the purpose of determining income eligibility. The deeming process shall not be applied when the minor parent does not reside with their own parents or when the minor parent is married, separated, or divorced.

- a.** When unwed minor parents reside with their own parents, the Specialist shall:
  - i.** Verify monthly countable earned and unearned income received by the parents of the unwed minor parent;
  - ii.** Deduct any Child Support paid by the parent of the unwed minor parent from the total countable income;
  - iii.** Determine the total number of household dependents for whom the parents of the unwed minor parent have the legal and financial responsibility to support. This number shall include:
    - a)** The parent(s) themselves; and
    - b)** Any other children or dependents residing in the same household; this number shall **not** include the unwed minor parent and their children.
- b.** The deeming process applies to unwed minor parents only, and shall not be used when the minor parent is married, separated, or divorced.
- c.** Dependent Deduction Chart
  - i.** Table 7 displays the amount of income that will be deducted from the parents' gross monthly income based on the number of their dependents as described in "iii." above. The remaining income shall be deemed as available to the unwed minor parent.



**TABLE 7:  
DEPENDENT DEDUCTION CHART**

<b>Total number of dependents (not including minor parent and the minor parent's children)</b>	<b>Income deducted from parent's income to determine deemed portion (Effective July 1, 2005)</b>
1	\$1,317.00
2	\$1,766.00
3	\$2,213.00
4	\$2,662.00
5	\$3,111.00
6	\$3,558.00
7	\$4,007.00
8	\$4,455.00
9	\$4,903.00
10	\$5,351.00
11	\$5,800.00
12	\$6,186.00

**ii.** The Specialist shall:

- a)** Locate the parent's total number of dependents in the *left* hand column of the Dependent Deduction Chart;
- b)** Locate the corresponding income amount to be deducted from the parents' income in the *right* hand column;
- c)** Subtract the amount from the right hand column from the parent's total countable income to determine the deemed income amount; and
- d)** Add the deemed income amount to the unwed minor parent's countable income sources, to determine income eligibility.

**iii.** The Specialist shall complete the Child Care Assistance Minor Parent Deeming Worksheet (CC-231) and file it in the case file as documentation regarding how the deemed income amount was calculated.

**EXHIBIT L:****CHILD CARE ASSISTANCE UNWED MINOR PARENT DEEMING WORKSHEET**

CASE NAME (Last, First, M.I.)		CLIENT ID
1. Total Monthly Earned Income received by parent of the unwed minor parent.		\$
2. Total Monthly Unearned Income received by parent of the unwed minor parent.		\$
3. Subtotal (Add lines 1 and 2)		\$
4. Number of dependents ____; Enter amount required to support the other dependents according to the Dependent Deduction Chart below (this number includes the parents of the minor parents, and any of their children and dependents residing in the same household; this number does not include the minor parent or the minor parent's children).		\$
5. Child Support payments paid monthly for persons living outside of the home.		\$
6. Subtotal (Add lines 4 and 5)		\$
7. Total income deemed as available to the unwed minor parent. (Subtract line 6 from line 3)		\$
8. Earned income received monthly by the unwed minor parent.		\$
9. Unearned Income received monthly by the unwed minor parent.		\$
10. Total countable income for the unwed minor parent. (Add lines 7, 8, and 9)		\$
11. Enter fee level if the unwed minor parent is eligible for Child Care Assistance		

**Dependent Deduction Chart**

<b>Number of Dependents</b> (Not including minor parent and the minor parent's child[ren])	<b>Income deducted from parents income to determine deemed portion</b> (Effective July 1, 2005)
1	\$1,317.00
2	\$1,766.00
3	\$2,213.00
4	\$2,662.00
5	\$3,111.00
6	\$3,558.00
7	\$4,007.00
8	\$4,455.00
9	\$4,903.00
10	\$5,351.00
11	\$5,800.00
12	\$6,186.00

### DEEMED INCOME EXAMPLE:

An unwed minor parent who lives with both of her parents applies for Child Care Assistance. The total countable income for the parents of the minor parent is **\$1,945/month**. The parents of the minor parent pay no child support to be deducted from the total countable income. The total number of household dependents for whom the parents have the legal and financial responsibility to support (not including the minor parent and their children) is **2**.

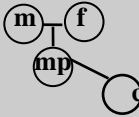
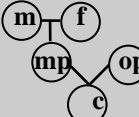
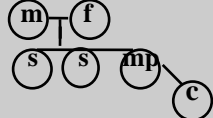
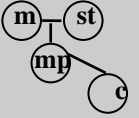
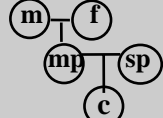
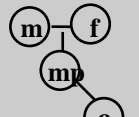
- Refer to the Dependent Deduction Chart and find the income deduction amount in the right hand column that corresponds to 2 dependents. The amount is **\$1,766**.
- Subtract the income deduction amount of **\$1,766** from total gross monthly income amount of **\$1,945/month** to arrive at the income of **\$179**, which will be deemed as available to the minor parent.

$$\text{\$1,945} - \text{\$1,766} = \text{\$179}.$$

**\$179** per month is deemed as available income to the minor parent and will be added to the gross monthly income received by the minor parent.



**TABLE 8:****MINOR PARENT FAMILY SIZE/ INCOME CRITERIA**

Minor Parent Household Composition	Family Size	Countable Income	Availability Considered
<b>Unwed Minor Parent and Child Living with Parents</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Minor parent's child</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> <li>• Deemed portion of parent's income</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent only</li> </ul>
<b>Unwed Minor Parent, Child, and Child's Other Parent Living with Parents</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Child</li> <li>• Child's other parent</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> <li>• Child's other parent's income</li> <li>• Deemed portion of parent's income</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Child's other parent</li> </ul>
<b>Unwed Minor Parent and Child living with parents who also need care for their other children (minor parent's siblings)</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Minor parent's child</li> <li>• Parents of the minor parent</li> <li>• Siblings of the minor parent</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> <li>• Parents of the minor parent's income (counted in full)</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent (for his/her child)</li> <li>• Parents of the minor parent (for their children)</li> </ul>
<b>Unwed Minor Parent and Child Living with a parent and stepparent</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Minor parent's child</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> <li>• Deemed portion of the parent and stepparent's income</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent only</li> </ul>
<b>Married Minor Parent, Child and Spouse Living with Parents</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Minor parent's child</li> <li>• Minor parent's spouse</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> <li>• Spouse's income</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Spouse</li> </ul>
<b>Married Minor Parent (separated or divorced) and Child Living with Parents</b> <b>Ex:</b> 	<ul style="list-style-type: none"> <li>• Minor parent</li> <li>• Minor parent's child</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent's income</li> </ul>	<ul style="list-style-type: none"> <li>• Minor parent only</li> </ul>

**NOTE:** A minor parent is an individual under the age of 18 years who is the custodial parent of a child.

## **E. Education/Training Activities with Minimum Work Requirement**

Any additional Child Care Assistance that clients require to participate in education/training activities that does not fit into the existing authorization for employment is considered ***Supplemental Child Care Assistance***. Supplemental Child Care Assistance for allowable education/training activities is available to clients who are employed a monthly average of at least 20 hours per week. The Specialist shall authorize supplemental Child Care Assistance for education/training activities along with the employment activity under the appropriate work-related program (see Program Specific Eligibility Determination to select the appropriate program). Eligibility for supplemental Child Care Assistance for education/training activities shall be determined according to the following criteria.

### **1. General Eligibility Criteria for Education/Training Activities**

Clients remain eligible for supplemental assistance for education/training activities as long as the following criteria are met; supplemental assistance for education/training activities is ***not*** time limited (see ***General Eligibility Criteria*** and the appropriate program specific section for additional criteria that may apply):

#### **a. Minimum Work Requirement**

Clients eligible for supplemental Child Care Assistance for education/training activities must be employed a monthly average of at least 20 hours per week for each month in which supplemental assistance is authorized.

#### **b. Reasonably Related to Employment Criteria**

Clients must be participating in education/training activities that are related to their stated employment goal in order to be eligible for supplemental assistance for education/training activities.

#### **c. Satisfactory Progress Criteria**

Clients receiving supplemental assistance for education/training activities must maintain satisfactory progress in the educational activity, as defined by the educational institution. Clients must also provide verification that satisfactory progress is being met before continued supplemental assistance is authorized.

## **2. Determining the Need for Supplemental Assistance**

When the client is employed and requests Child Care Assistance for education and training needs, the Specialist shall determine whether the service authorization amount based solely on the work schedule will also accommodate the school schedule (refer to ***Determination of Days/Hours Needed*** and ***Unit Calculation*** in the ***Authorization of Services*** section for direction on how to calculate the service authorization amount).

- a. The Specialist shall calculate the amount of monthly units the client is entitled to based solely on the client's work schedule.
- b. If the amount of service that would otherwise be authorized for work also accommodates the school need (the school schedule "fits into" the authorization based on the work schedule), supplemental Child Care Assistance for education and training is not needed. The Specialist shall authorize services under the appropriate work related eligibility category based solely on the work activity (refer to Program Specific Eligibility Determination sections for more information).
- c. If the amount of service that would otherwise be authorized for work does **not** accommodate the school need, the Specialist shall determine eligibility for supplemental Child Care Assistance for the education/training activities as outlined in this section.

## **3. Minimum Work Requirement**

Clients eligible for supplemental Child Care Assistance for education/training activities must be employed a monthly average of at least 20 hours per week for each month in which they are authorized for supplemental Child Care Assistance for education/training activities.

### **a. Calculation of the Work Hours Requirement for Conventional Employment**

- i. When the client is paid on a weekly or bi-weekly basis, the Specialist shall:
  - a) Add the weekly or bi-weekly hours worked for the pay dates in one calendar month;
  - b) Divide the sum of a) by 4, to determine the average weekly hours worked.

- ii. When the client is paid on a semi-monthly or monthly basis, the Specialist shall:
  - a) Add the semi-monthly hours worked for the pay dates in one calendar month; and
  - b) Divide the total of “a)” by 4.3, to determine the average weekly hours worked.
  - c) For clients paid on a monthly basis, divide the monthly hours worked by 4.3 to determine the average weekly hours.
- iii. The average weekly hours **must** equate to 20 hours or more; if the average weekly hours equate to twenty hours or more, the work requirement for supplemental assistance for education/training activities has been met for that calendar month.

**NOTE:** Clients *must* be employed for a **minimum** of an average of 20 hours per week. For instance, if the average weekly hours equate to 19.9 hours, the client **does not** meet the minimum work requirement.

#### **EXAMPLE #1:**

The client submits four weekly pay stubs reflecting hours worked in the most recent calendar month:

Week 1 = 19 hours, Week 2 = 19 hours, Week 3 = 24 hours, Week 4 = 29 hours

- 1)  $19 + 19 + 24 + 29 = 91$
- 2)  $91 \div 4 = 22.75$  average weekly hours
- 3) Since client works an average of **22.75** hours per week, the work requirement for supplemental education/training assistance *is met*.



## EXAMPLE #2:

The client submits two semi-monthly pay stubs reflecting the hours worked in the most recent calendar month:

First pay period = 49 hours, Second pay period = 36 hours.

- 1)  $49 + 36 = 85$
- 2)  $85 \div 4.3 = 19.76$  average weekly hours
- 3) Since the client works an average of **19.76** hours per week, the work requirement for supplemental Child Care Assistance for education/training needs is **NOT met**.

### b. Calculation of the Work Hours Requirement for Self Employed Clients

In order for self employed clients to meet the 20 hour work requirement for supplemental Child Care Assistance for education/training needs, their monthly net profit divided by the current minimum wage standard must equate to the 20 hour weekly work requirement. The formula for determining whether the monthly net profit earned by a self employed client (based on the current minimum wage standard) equates to the 20 hours weekly work requirement is shown below:

- i. **Current Minimum Wage X 20 hours per week (minimum work requirement) = Weekly Required Net Profit X 4.3 = Minimum Monthly Net Profit** required to receive supplemental Child Care Assistance for education/training activities.

- a) Effective 9/1/97 and later (Minimum Wage = \$5.15 per hour):

$$\$5.15 \text{ per hour} \times 20 \text{ hours} = \$103.00 \times 4.3 = \textbf{\$442.90} \text{ net profit per month}$$

- b) Self employed clients must earn a monthly net profit of at least **\$442.90** per month effective 9/1/97 and later to meet the 20 hour work requirement for supplemental Child Care Assistance for education/training activities.

**NOTE:** Prior to 9/1/97, the minimum wage was \$4.75 per hour; contact the Policy Helpdesk for assistance when calculating the work hours requirement for self employed clients for periods prior to 9/1/97.

- ii. When monthly self employment verification is not available, and annual or quarterly tax statements are used, then the monthly average for the following periods are used:
  - a) 3 month period (when quarterly tax statements are used); or
  - b) 12 month period (when annual tax returns are used), must be a minimum of \$442.90 per month effective 9/1/97 and later in order for the self employed client to meet the 20 hour work requirement.
- c. If the twenty hour per week work requirement is not met, the client is not eligible for supplemental Child Care Assistance for education/training activities (however, the client may still be eligible for assistance to cover work and/or other eligible activities).
- d. When a client reports a reduction in work hours (or for a self employed client, a reduction in net profit) which brings the average number of hours worked per week below twenty hours, please refer to *Changes* in the *Education Training Activities with Minimum Work Requirement* section for further instruction.

#### **4. Allowable Education/Training Activities**

Allowable education/training activities for Child Care Assistance are outlined below:

- a. Attendance at college or trade/vocational educational activities.
  - i. There is no limit on the educational level for allowable college courses (supplemental assistance is no longer limited to freshman and sophomore levels only);
  - ii. Allowable college courses include undergraduate and graduate level coursework as long as all eligibility criteria are met.
- b. Attendance at structured work readiness activities (typically involving structured classes and employment preparation activities).
- c. Attendance at high school, G.E.D. classes, E.S.O.L. classes or remedial educational activities.
- d. Lab classes.

- e. Child Care Assistance will be authorized for:
  - i. In class time for educational activities outside the home;
  - ii. Time between classes;
  - iii. Travel time to and from school.
- f. Child Care Assistance will **NOT** be authorized for:
  - i. Study time;
  - ii. Correspondence courses;
  - iii. Educational activities performed in the home.

## **5. Verification of Education/Training Activities**

The Specialist shall not authorize Child Care Assistance for education/training activities until verification is received. Verification of education/training activities shall consist of:

- a. School schedule from the educational institution; or
- b. Signed statement from the educational institution including a course activity description, days, hours, and duration of education/training participation, and the date, name, telephone number and position of the person who is providing the information.

## **6. Reasonably Related to Employment Criteria for Education/Training Activities**

Clients must be participating in education/training activities that are related to their stated employment goal in order to be eligible for supplemental Child Care Assistance for education/training activities.

- a. Clients must declare an employment goal that is related to their course of study when supplemental Child Care Assistance for education/training activities is requested.
- b. If the client's course of study is not related to the client's current employment, it must be related to a future employment goal, as stated by the client.
- c. The client shall indicate their employment goal on the *Supplemental Education and Training Agreement* (CC-230) and the *Application for Child Care Assistance* (CC-001) forms.

- d. The general course of study must be related to the employment goal (although each individual class may not bear a direct relationship).
  - i. If the client is attending a vocational or trade school, the relationship should be apparent since this type of educational activity is job skill focused for particular occupations.
  - ii. If the client is attending college, the relationship may be less apparent since the client may be required to take general educational classes and electives in addition to classes in their major area of study in order to attain a degree.
- e. The Specialist will exercise judgment in this area and accept the client's statement unless it is questionable (unless the Specialist can see no potential relationship between the course of study and the employment goal).
- f. When the relationship between education and employment goal is questionable, the Specialist shall contact the Policy Helpdesk for assistance in making the determination.

## **7. Satisfactory Progress Criteria for Post Secondary Education/Training Activities**

- a. Clients receiving supplemental Child Care Assistance for post secondary education/training activities must maintain satisfactory progress in the educational activity, as defined by the educational institution. Clients must provide verification that satisfactory progress is being met before continued supplemental Child Care Assistance may be authorized. The Specialist shall not determine satisfactory progress based on grade point average or any other criteria.

### **b. Verifying Satisfactory Progress**

Satisfactory progress for post secondary activities shall be verified via the Verification of Education/Training Information (CC-226) form which must be completed by the educational institution.

- i. The Verification of Education/Training Information (CC-226) form must be completed by the educational institution for the most recent semester. It is the responsibility of the client to request completion of the Verification of Education/Training Information (CC-226) form from the educational institution. Clients must submit verification to the Specialist at:
  - a) The end of each semester or term;
  - b) The 6 month review if the semester or term will extend beyond the review date; and

- c) Intake, when the client fails to verify satisfactory progress as requested for a prior semester/term.
- ii. If the client fails to provide verification of satisfactory progress as requested:
  - a) Supplemental Child Care Assistance for post secondary education/training activities will be stopped (however, the authorization for work hours will continue);
  - b) If the client fails to provide this information at semester/term end, services will not be reauthorized for the educational activity for any semester/term until the verification is provided.

## **8. Tracking Education/Training Activities**

The Specialist shall manually track the education/training activities in the appropriate section of the Case Action Summary (CC-047) form as described below.

### **a. Amount of authorization for employment**

The Specialist shall:

- i. Calculate the client's average weekly hours of employment and document in section C of the Case Action Summary (CC-047) form;
- ii. Document the number of units the client is entitled to based on the client's average weekly hours of employment in section C on the Case Action Summary (CC-047) form.

### **b. Authorization for education/training activities**

When the amount of service that would otherwise be authorized for work *does not* accommodate the school need, the Specialist shall complete section D of the Case Action Summary (CC-047) form to indicate that supplemental assistance for education/training activities has been authorized.

## 9. Treatment of Jobs and Cash Assistance Participants

The Specialist shall treat Jobs and Cash Assistance participants as outlined below.

### a. Jobs Participants

- i. Jobs participants are ineligible for supplemental Child Care Assistance for education/training activities as described in this section.
- ii. Jobs participants are eligible for Child Care Assistance for education/training activities when they are approved and referred by the Jobs Program Specialist only (refer to ***Jobs Child Care*** in the ***Cash Assistance Child Care Eligibility Determination*** section for direction on Jobs Child Care Eligibility).

### b. Cash Assistance Participants

- i. Cash Assistance participants who are sanctioned due to Jobs noncompliance are ineligible for Child Care Assistance for education/training activities (as described in this section) in any month that a Jobs sanction has been applied to the Cash Assistance case and the case remains in an open status.
- ii. The Specialist shall contact the Policy Helpdesk prior to authorizing supplemental Child Care Assistance for education/training activities ***for all families with an open Cash Assistance case*** to determine whether a Cash Assistance participant is sanctioned for Jobs noncompliance.

## 10. Authorization

When supplemental Child Care Assistance is necessary to cover education/training activities in addition to employment needs, the Specialist shall authorize services as outlined below. The Specialist shall:

- a. Calculate the amount of service needed per month based on the client's work schedule (refer to ***Determination of Days/Hours Needed*** and ***Unit Calculation*** in the ***Authorization of Child Care Assistance*** section for direction on calculating the service authorization amount).
- b. Determine the additional amount of service needed per month based on the education/training schedule, and shall:
  - i. Map out the work and school schedules to consider the days and hours that services are needed for each activity; and

- ii. Consider whether the client will use one or two providers in determining what the service authorization amount should be (if the client wants to use two providers, more units may need to be authorized to cover the work and school activities).
- c. *Contact the Policy Helpdesk prior to authorization of supplemental assistance for all Cash Assistance participants* to determine whether a sanction for Jobs noncompliance has been applied to the case (Cash Assistance participants who are sanctioned for Jobs noncompliance are ineligible for supplemental Child Care Assistance).
- d. Authorize the total amount of Child Care Assistance needed for work and school activities under the appropriate work related eligibility category (refer to the program specific eligibility determination sections for direction on determining eligibility for each specific child care program); no separate eligibility code will be used.
- e. Document the case file on the Case Action Summary (CC-047) form regarding:
  - i. The total number of units authorized per month;
  - ii. The number of units needed to accommodate the work schedule; and
  - iii. The additional units needed as supplemental assistance to accommodate the school schedule.

## 11. Changes

Changes shall be addressed in the following manner.

### a. Change in Work Hours

If the client's hours of employment are reduced below the required monthly average of at least 20 hours per week (or for a self employed client, their net profit does not equate to the 20 hour work requirement):

- i. The Specialist shall process an overpayment for each calendar month in which the 20 hour work requirement was not met; the amount of the authorization that was necessitated by the work hours will not be included in the overpayment calculation.

- ii. The Specialist shall reduce the service authorization to cover the work hours only.
  - a) The service authorization shall be reduced effective the first of the following month, after expiration of the 10 day negative action notice.
  - b) The Notice of Change (CC-503) shall be mailed to the client indicating that the units have been decreased because the 20 hour work requirement is not met.
  - c) The notice must be mailed at least 10 days before the action becomes effective and no later than the date the unit decrease becomes effective (10 day negative action notification is required for a reduction in units when the reduction is due to ineligibility, as in this situation).
  - d) When the client is in an education/training activity and is no longer employed, please refer to **Negative Action** for more instruction on negative action procedures.
- iii. When the client notifies the Specialist that their work hours have increased after failing to meet the 20 hour work requirement
  - a) The Specialist shall not increase the service authorization to cover school in addition to work until the client verifies that they are meeting the 20 hour work requirement; and
  - b) The Specialist shall verify that the work hours have increased to meet the 20 hour work requirement through one of the acceptable forms of employment verification (refer to **Verification Requirements** in the **Eligibility and Verification Requirements** section for a list of acceptable forms of verification).

**b. Change in the Type of Educational Activity**

- i. If the client reports that they changed their educational activity (e.g. client has graduated from high school and now attends college, client stopped attending high school and is taking courses in preparation for the GED) or are attending a new school, the Specialist shall:
  - a) Request verification of the new activity by sending the client the General Information Request/Notice of Closure (CC-500).



- b) Determine if the education/training activity is related to the client's stated employment goal (refer to ***Reasonably Related to Employment Criteria for Education/Training Activities*** above for further instruction).
- c) Determine if the new activity is an allowable education/training activity for Child Care Assistance (refer to ***Allowable Educational Activities*** above for a list of allowable educational activities).
  - 1) If the new activity ***is*** an allowable education/training activity, the Specialist shall:
    - (a) Adjust the service authorization to accommodate the new activity schedule when verification of the education/training activity is received by the Specialist.
    - (b) Send the client the Notice of Change (CC-503) to inform the client of any changes made to the existing service authorization.
  - 2) If the new activity ***is not*** an allowable education/training activity, the Specialist shall:
    - (a) Decrease the service authorization amount to cover the work schedule only.
    - (b) Send the client the Notice of Change (CC-503) to inform the client of any changes made to the service authorization.

**c. Change in Satisfactory Progress**

If the educational institution indicates that the client is not making satisfactory progress in the activity, the following guidelines apply.

- i. If the client is not making satisfactory progress and is not on probation with the educational institution, the Specialist shall not reauthorize child care for the educational activity until the client:
  - a) Verifies that they are satisfactorily progressing in the activity; or
  - b) Begins a new educational activity in a new educational institution.

- ii. If the client is not making satisfactory progress and *is on probation* with the educational institution, the Specialist shall:
  - a) Monitor the client's progress through the probationary period established by the institution.
  - b) Reduce the authorization for the hours of the education/training activity if the client is still not making satisfactory progress at the end of the probationary period (Child Care Assistance for work activities will continue to be authorized).
  - c) Not reauthorize Child Care Assistance for the educational activity until:
    - 1) The client verifies that they are satisfactorily progressing in the activity; or
    - 2) The client begins a new educational activity in a new educational institution.

#### **F. Teen Parents in Education/Training Activities**

Teen parents participating in secondary educational activities are exempt from the minimum work requirement as described below.

1. Teen parents participating in high school, G.E.D., E.S.O.L. classes, or remedial educational activities for the attainment of a high school diploma are not required to meet the minimum work requirement, but must meet other education/training eligibility criteria (refer to ***Block Grant Child Care Eligibility Determination*** for further instruction regarding the Block Grant/Teen Parents program).
2. Teen parents participating in post secondary education/training activities (college or vocational/trade schools) are not exempt from the minimum work requirement (refer to ***Education/Training Activities with Minimum Work Requirement*** for further instructions on eligibility criteria for individuals participating in education/training activities).

## **G. Self Employment Requirements**

Clients participating in self employment activities may be eligible for Child Care Assistance provided the following criteria are met.

### **1. Eligibility Criteria**

- a.** Self employment is a work activity (full or part time) performed by a client who has no employer, to provide or market a product or service in exchange for monetary compensation. A self employed person:
  - i.** Can set their own schedule and determine what days and hours they will work;
  - ii.** Will generally receive monetary compensation directly from the person they are providing a service or product for; and
  - iii.** May incur expenses for providing a service or product.
- b.** Self employed clients must demonstrate a net profit each month in order to be eligible for Child Care Assistance.
- c.** Self employed clients must meet income eligibility requirements

### **2. Verification Requirements**

Individuals who are self employed must verify income *at least every **three (3) months***. Self employment income shall be verified by one of the following methods and shall be requested in order of importance (the most desirable forms are listed first). Refer to ***Countable Income*** in the ***Income Eligibility Criteria*** section for more information regarding self employment income and allowable business expenses.

- a.** Self employment income as displayed on the AZTECS *Household Summary* (HOSU) screen for clients with an active Cash Assistance or Food Stamp case. If the client reports an amount that is more than \$25 more or less than the amount shown, one of the following types of verification listed below must be provided to verify the actual amount received;
- b.** Recent Quarterly Tax Statement (for most recent prior quarter);

- c. Self Employment Log (CC-227) form and Self Employment Budget Record (CC-228) form shall be completed by the self employed client. Receipts for gross sales and expenses must accompany the self employment verification forms to verify income and business deductions.
  - i. If the client expresses that they are having a problem completing any of the above forms, the Specialist shall assist the client in the completion. Child Care Assistance shall not be denied if the client cannot complete the form without assistance.
  - ii. If the client submits a partially completed Self Employment Budget Record (CC-228) form, the Specialist shall complete the form based on sales and expense receipts and any other information submitted by the client.
  - iii. If the client is paid cash and has no business expenses to claim, the Self Employment Log (CC-227) indicating the dates and hours of the activity, and the amount of payment received shall be considered acceptable verification.
- d. Recent Federal Income Tax Return (for most recent year);
- e. Accountant's Financial Statement.

### **3. Frequency of Verification**

The Specialist shall determine through discussion with the client during the intake interview whether self employment verification shall be provided for each three month period to determine the unit authorization amount for the next three month period, or whether the self employment income verification and unit authorization will be processed on a month to month basis.

- a. The Specialist shall indicate to the client that the method selected at the time of the intake interview shall be used for the duration of the 6 month authorization period; the method shall not be changed upon client request until the next review.
- b. If the 3 month method is used, the Specialist shall always use the most recent three calendar months to average the monthly net profit and determine the unit authorization for the next 3 months.
- c. If the month to month method is used, the Specialist shall always use the most recent calendar month to determine the ongoing unit authorization (until the next month's verification is received).

- d. Changes in the net profit amount will always be used to determine the future authorization amount on either a 3 month, or a monthly cycle.
- e. The Specialist can elect to change the method of collecting self employment verification and calculating the service authorization from the 3 month cycle to the monthly cycle (or vice versa). The Specialist shall exercise discretion in changing the method as appropriate.
  - i. If the pattern of self employment is characterized by significant variability in net profit amounts and months with no net profit, the Specialist may elect to monitor the case on a monthly basis until the pattern stabilizes.
  - ii. If the pattern of self employment stabilizes, the Specialist may elect to monitor the case on a quarterly basis.

#### **4. Self Employment Authorization**

##### **a. Calculation of the Service Authorization Amount**

- i. The Specialist shall authorize Child Care Assistance for self employment activities based on monthly net income divided by the current hourly minimum wage standard.
- ii. Authorization of Child Care Assistance for self employment activities shall not exceed:
  - a) The number of hours calculated by dividing monthly net income from self employment by the amount of the hourly minimum wage standard; or
  - b) The number of hours of Child Care Assistance needed by the client to perform self employment activities, whichever is less.

##### **b. Net Profit Calculation**

The Specialist shall determine monthly net profit from the self employed activity.

- i. The most recent calendar month net profit amount may be used; or
- ii. An average monthly amount may be used based on the most recent quarter.
- iii. The Specialist shall deduct allowable business expenses from gross income for each calendar month to arrive at the net profit amount.

- c. Refer to the Self Employment Unit Authorization Table (Table 9) and find the client's monthly net profit in the left hand column.
  - i. The unit amounts to the right reflect how many full day or part day units the self employed client may receive, based on the monthly net profit amount.
  - ii. When the client requests *less* than the amount of units shown, the Specialist shall authorize the requested amount.

#### **EXAMPLE #1:**

A self employed client verifies a monthly net profit of \$695.74 for the month of September, 1999. The Specialist shall locate the income range in the left hand column of the Self Employment Unit Authorization Table that includes the income amount of \$695.74. The Specialist finds the appropriate range to be \$695.21 - \$700.40. The next two columns to the right of the appropriate income range indicate the maximum monthly eligible unit authorization for a net profit of \$695.74 to be *either* 17 full day and 17 part day units (17 D/L's) *or* 31 part day units (31 L's).

**NOTE:** The current minimum wage standard of \$5.15 is reflected in the calculation of eligible monthly units based on reported monthly net profit. The following table shall be used to determine the monthly number of units based on net income for self employed clients.

## EXAMPLE 2:

A self employed client verifies a monthly net profit of \$935 for the month of October, 1999, and indicates on the application that their work schedule is Monday-Wednesday from 9:00 a.m.-12:00 p.m. The Specialist shall locate the income range in the left hand column of the Self Employment Unit Authorization Table that includes the income amount of \$935. The Specialist finds the appropriate range to be \$906.41 - \$947.60. The next two columns to the right of the appropriate income range indicate the maximum monthly eligible unit authorization for a net profit of \$935 to be *either* 23 full day and 23 part day units (23D/L's) *or* 31 part day units (31 L's). However, the client's stated need is Monday-Wednesday from 9:00a.m.-12:00p.m. which calculates to 15 part days (L units) per month. In this example, the client's stated need is less than the maximum monthly eligible unit authorization for a net profit of \$935. Therefore, the Specialist shall authorize the lesser amount, which is 15 L's per month.

<< For Self Employment Income Received

**TABLE 9:**

**SELF EMPLOYMENT UNIT AUTHORIZATION TABLE**

MONTHLY NET PROFIT AMOUNT	MAXIMUM FULL DAY (D) UNITS	MAXIMUM PART DAY (L) UNITS
\$ .01 - 41.20	1	2
\$ 41.21 - 82.40	2	4
\$ 82.41 - 123.60	3	6
\$ 123.61 - 164.80	4	8
\$ 164.81 - 206.00	5	10
\$ 206.01 - 247.20	6	12
\$ 247.21 - 288.40	7	14
\$ 288.41 - 329.60	8	16
\$ 329.61 - 370.80	9	18
\$ 370.81 - 412.00	10	20
\$ 412.01 - 453.20	11	22
\$ 453.21 - 494.40	12	24
\$ 494.41 - 535.60	13	26
\$ 535.61 - 576.80	14	28
\$ 576.81 - 618.00	15	30
\$ 618.01 - 659.20	16	31
\$ 659.21 - 700.40	17	31
\$ 700.41 - 741.60	18	31
\$ 741.61 - 782.80	19	31
\$ 782.81 - 824.00	20	31
\$ 824.01 - 865.20	21	31
\$ 865.21 - 906.40	22	31
\$ 906.41 - 947.60	23	31
\$ 947.61 - 988.80	24	31
\$ 988.81 - 1,030.00	25	31
\$ 1,030.01 - 1,071.20	26	31
\$ 1,071.21 - 1,112.40	27	31
\$ 1,112.41 - 1,153.60	28	31
\$ 1,153.61 - 1,194.80	29	31
\$ 1,194.81 - 1,236.00	30	31
\$ 1,236.01 - 1,277.20 +	31	31

< < **September 1, 1997, or Later** > >

**MINIMUM WAGE FORMULAS:**

MINIMUM WAGE STANDARD FORMULA	20 HOUR MINIMUM WORK REQUIREMENT FORMULA FOR SUPPLEMENTAL EDUCATION/TRAINING	MINIMUM WAGE/HOURS FORMULA FOR SUPPLEMENTAL EDUCATION/ TRAINING
<p>This formula is used to determine the maximum amount of full day units a client may receive based on their net profit for the month (1 full day equals 2 part days).</p> <p><b>1) MONTHLY NET PROFIT ÷ MINIMUM WAGE = MONTHLY HOURS</b></p> <p><b>2) MONTHLY HOURS ÷ 8 = MAXIMUM NUMBER OF FULL DAY UNITS FOR THE MONTH</b></p>	<p>This formula is used to determine the average weekly eligible hours a client is working based on their net profit for the month. Clients who need supplemental assistance for education/training activities must average at least 20 hours a week based on their net profit.</p> <p><b>1) MONTHLY NET PROFIT ÷ MINIMUM WAGE = MONTHLY HOURS</b></p> <p><b>2) MONTHLY HOURS ÷ 4.3 = AVERAGE WEEKLY HOURS</b></p>	<p>This formula is used to determine the minimum monthly amount of net profit a client must earn (based on the minimum wage standard) to be considered to have met the 20 hour work requirement for supplemental child care for education/training.</p> <p><b>1) 5.15 X 20 = 103</b></p> <p><b>2) 103 X 4.3 = \$442.90</b></p> <p>The minimum a client can earn is \$442.90 per month to qualify for supplemental assistance for education/training activities.</p>

**NOTE:** This “net profit to units” conversion table assumes the use of one provider; if the client uses 2 providers and requests that part day units be authorized with each provider, the Specialist shall determine the maximum number of full day units the client is entitled to based on monthly net profit, and shall multiply that figure by 2 to arrive at the maximum allowable number of part day units (when the client has 2 providers and uses part days only).



#### **d. Self Employment Unit Calculation Formula**

To arrive at the allowable number of units described in the above table, the self employment authorization shall be determined by dividing the current minimum wage into the verified monthly net profit to determine the maximum monthly authorization amount as indicated below.

- i. The Specialist shall divide the monthly net profit amount by the current minimum wage (that was in effect during the month that the income was received by the client) to determine the total monthly eligible hours of the self employed activity.

**Net Profit ÷ Current Minimum Wage = Eligible Monthly Hours**

- ii. Divide the total eligible monthly hours by eight (equates to an eight hour work day) to arrive at the maximum number of full day units that the client can be authorized for (if the resulting number is a decimal point figure, round up to the next whole number):

**Eligible monthly hours ÷ 8 (daily work hour standard) = Eligible number of full day units (D) per month**

- iii. If the client needs part day units only, multiply the total number of full day (D) units from ii. above by 2 to arrive at the maximum number of part day (L) units the client may be authorized for in a month.

**Eligible number of full day (D) units per month X 2 = Total allowable part day (L) units per month**

### EXAMPLE:

A self employed client earned \$600 net profit in the most recent verified month.

**\$600** (client's monthly net profit) ÷ **\$5.15** (current minimum wage) = **116.5**  
(eligible monthly hours)

**116.5** (eligible monthly hours) ÷ **8** (daily work hour standard) = 14.5 (number of eligible monthly full day units); the Specialist shall always round up to the nearest whole number. Therefore, the client is eligible to receive **15 D/L's**.

If the client requests part days only:

15 X 2 = 30 L's, the client may receive **30 L's per month**

**iv.** If the client needs a combination of part and full day units, determine the maximum number of full day units the client is entitled to based on monthly net profit.

- a)** The Specialist must determine how many full day and part day units the client needs;
- b)** For every full day unit authorized, the Specialist shall also authorize a part day unit (this is a standard authorization practice to ensure that a part day payment can be issued based on usage if the client uses less than a full day).
- c)** The Specialist shall subtract the number of full day units needed by the client, from the maximum allowable full day units to arrive at the remaining number of full day units the client is entitled to:

**Maximum allowable full day units - Number of full day units needed by the client = Remainder of full day units**

- d)** The Specialist shall multiply the remaining number of full day units by 2 to arrive at the number of additional part day units the client is entitled to:

**Remainder of full day units X 2 = Number of additional part day units that the client is entitled to**

### EXAMPLE:

A self employed client earned a monthly net profit of \$540 in September, 1998, entitling him to 14 full days of Child Care Assistance. The client requested 4 full days of care, and asked that the remainder of the authorization be part day units. The Specialist will authorize 4 D/L's to authorize the full day units.

- 1)  $14 - 4 = 10$  remaining full day (D) units
- 2)  $10 \times 2 = 20$  part day (L) units
- 3) The Specialist will authorize 4 full day (4D) units and 24 part day (24L) units.

## 5. Treatment of New Applicants and Newly Self Employed Clients

Child Care Assistance may be authorized for new applicants and new business owners/operators when these individuals have no verification of the self employment activity as outlined below.

### a. Client Statement as Initial Verification

A written statement from the client will be required specifying the anticipated net profit expected each month, and the anticipated days/hours the client will be engaging in the self employment activity.

### b. Initial Service Authorization

- i. The initial monthly unit authorization will be based on the client's written statement of anticipated monthly net profit divided by the current minimum wage as indicated in the Self Employment Authorization Table (refer to the *Self Employment Authorization* above for further direction on calculating units based on net profit).
- ii. If the client's stated need based on actual work hours is **less** than this amount, the authorization shall be based on the client's stated need.

**c. Duration**

The Specialist shall authorize Child Care Assistance based on the client's statement through the first full calendar month to allow the client to produce one full month of self employment verification.

**d. Monitoring and Adjustment of the Initial Authorization**

The Child Care Specialist shall:

- i.** Request that the client provide verification of self employment income within 10 days after the first full month of the self employment activity. The client must provide one of the forms of verification listed in *Verification Requirements*;
- ii.** Adjust the service authorization when the verification is received to reflect the first full month of net profit (refer to *Self Employment Authorization* for direction on determining the unit authorization based on the net profit amount).

**NOTE:** This does **not** apply to self employed clients who are reapplying for Child Care Assistance after their case has been closed for failure to demonstrate a net profit (if they were closed for this reason, they must verify a net profit for the most recent calendar month before services can be reauthorized).

**6. Changes**

**a. Treatment of Clients Who Report a Loss or No Net Profit**

When the client submits verification for the past month or quarter that indicates that business expenses equal or exceed their gross income:

- i.** The client will be allowed 30 days to demonstrate a profit or obtain another job;
- ii.** The authorization will continue at the same number of full/part day units as authorized prior to the change in income during the 30 day period (if the client is receiving supplemental Child Care Assistance for education/training activities, the service authorization will be reduced to cover the employment need only);
- iii.** The Specialist shall close the case at the end of the 30 day period, if the client has not shown a profit or obtained another job.
- iv.** The Specialist shall use the closure code **SE** for "self employment" to close the household eligibility on the AzCCATS CP21 screen to track the net profit status in AzCCATS.

- v. If the client reapplies for Child Care Assistance in the future after having been closed for this reason, they will be required to verify a net profit for the most recent calendar month before Child Care Assistance can be reinstated.

**b. Adjusting the Authorization Based on a Change in Net Profit**

The Specialist shall adjust the service authorization amount based on changes in the net profit amount as outlined below.

- i. Changes in the net profit amount will always be used to determine the future authorization amount on either a 3 month, or monthly cycle.
- ii. If the net profit decreases, the Specialist shall decrease the units for the corresponding month effective the first day of the following month; 10 day negative action notification is *not* required.
- iii. If the net profit increases, the Specialist shall increase the units effective the first possible date for an appropriate corresponding number of months.
- iv. The Specialist can elect to change the method of collecting self employment verification and calculating the service authorization from the 3 months cycle to the monthly cycle (or vice versa). The Specialist shall exercise discretion in changing the method as appropriate.
  - a) If the pattern of self employment is characterized by significant variability in net profit amounts and months with no net profit, the Specialist may elect to monitor the case on a monthly basis until the pattern stabilizes.
  - b) If the pattern of self employment stabilizes, the Specialist may elect to monitor the case on a quarterly basis.

**c. Self Employed Clients Who Receive Supplemental Education/Training Assistance Who Report a Decrease in Income**

- i. Self employed clients who receive supplemental Child Care Assistance for education/training activities must maintain a net profit which, when divided by the current minimum wage, equates to at least the required 20 hour work requirement in any month in which they received services for education/training activities (refer to *Calculation of the Work Hour Requirement for Self Employed Clients* in the *Education/Training Activities with Minimum Work Requirement* section for instruction on determining if the minimum work requirement is met).

- ii. If the Specialist calculates a monthly net profit that reflects weekly hours of employment that are below the 20 hour per week work requirement, the Specialist shall:
  - a) Reduce the service authorization to cover work hours only.
    - 1) The service authorization shall be reduced effective the first of the following month; after expiration of the 10 day negative action notice.
    - 2) The Notice of Change (CC-503) shall be mailed to the client indicating that the units have been decreased because the 20 hour work requirement was not met.
    - 3) The notice must be mailed at least 10 days before the unit decrease becomes effective.
    - 4) Determine periods in which supplemental Child Care Assistance was used for education/training reasons when the minimum work requirement was not met.
    - 5) If verification of net profit for each *individual calendar month* is not available for the purpose of determining whether the 20 hour work requirement was met, the average monthly net profit will be used. The average monthly net profit is based either on the recent quarterly tax statement or the recent income tax return.
  - b) Process an overpayment for any Child Care Assistance that was utilized for education/training activities when the work requirement was not met; the amount of authorization that was necessitated by work hours will not be included in the overpayment amount.
- iii. If the client notifies the Specialist that their net profit has increased (after the above steps are taken), the Specialist shall not increase the service authorization to cover school until the client verifies that their net profit has increased to reflect that the minimum work requirement is being met through one of the allowable forms of verification of self employment.

**d. Change in Self Employment Activity**

- i.** When a client changes from one self employment activity to another, the Specialist shall continue the existing units and copayment/fee level amount until the client can provide verification of the new self employment net profit amounts.
- ii.** The new self employment activity must be verified within 3 months and the authorization adjusted as appropriate.